SOUTHERN ENVIRONMENTAL LAW CENTER

Telephone 843-720-5270 | 463 KING STREET, SUITE B
CHARLESTON, SC 29403-7204 | Facsimile 843-414-7039

April 18, 2019

Via Electronic Filing

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, SC 29210

RE: Duke Energy Carolinas, LLC Application for Adjustments in Electric Rate Schedules and Tariffs and Request for an Accounting Order
Docket No. 2018-319-E

Dear Ms. Boyd:

Enclosed for filing please find the Proposed Order of the South Carolina State Conference of the NAACP, South Carolina Coastal Conservation League and Upstate Forever. By copy of this letter, we are providing a copy of this filing to the parties of record via electronic mail.

Please contact me if you have any questions concerning this filing.

Sincerely,

s/ Stinson W. Ferguson

Enclosures
CC w/encl: Parties of Record (via email)

STATE OF SOUTH CAROLINA

BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 2018-319-E

IN RE:	)	
	)	
Application of Duke Energy	)	**PARTIAL PROPOSED ORDER**
Carolinas, LLC, for Adjustment of	)	
Rates and Charges Applicable to	)	
Electric Service in South Carolina	)	

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the "Commission") on the Application of Duke Energy Carolinas, LLC ("DEC" or the "Company") filed November 8, 2018 requesting authority to adjust and increase its electric rates, charges and tariffs. The Application was filed pursuant to S.C. Code Ann. §§ 58-27-820 and 58-27-870 and 10 S.C. Code Ann. Regs. 103-303 and 103-823.

The Commission has jurisdiction over the rates and charges, rate schedules, classifications of public utilities operating in South Carolina, including DEC, as generally provided in S.C. Code Ann. §§ 58-27-10, et seq. S.C. Code Ann. § 58-3-140(A) vests the Commission with the "power and jurisdiction to supervise and regulate the rates and service of every public utility in this State . . . ." Every rate "made, demanded or received by any electrical utility … shall be just and reasonable . . ." S.C. Code Ann. § 58-27-810.

In its application for an increase in its rates and charges, DEC proposed to increase the mandatory, fixed Basic Facilities Charge ("BFC") for most residential customers from $8.29 to $28.00 per month—an increase of 245 percent. DEP Application, Ex. C, p. 2-3, 10. As support for the proposed increase in the BFC, the Company used an analysis called the "Minimum System" method to classify certain costs as customer-related in its cost of service study.

The Company's proposal to more than triple the BFC was met with vocal opposition from many residential customers who testified at the night hearings in Anderson, Greenville, and Spartanburg. The ORS opposed the Company's proposal to increase the BFC, citing the impact the increase would have on low-usage customers, many of whom are low-income and the principle of gradualism in setting rates. In addition, several intervenors—the South Carolina State Conference of the NAACP, Upstate Forever and Coastal Conservation League (collectively, "SC NAACP et al."), as well as Vote Solar—opposed both the use of the Minimum System method that was the Company's justification for the BFC increase, as well as any increase to the BFC that was disproportionate to the overall percentage revenue increase from the residential class.

The Commission required DEC's predecessor Duke Power Company to discontinue the use of the Minimum System method in Order No. 91-1022, issued in 1991, and the Company has not adduced evidence in this case to show that a return to the method is warranted. For the reasons discussed in the remainder of this section, the Commission finds that the Company's use of the Minimum System method was not reasonable and therefore, the Company's request to increase the BFC based on its use will be denied.

II. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. In its application for an increase in its rates and charges, the Company proposed to increase the Basic Facilities Charge for residential customers on the standard tariff from $8.29 to $28.00 per month. DEC later revised its proposed residential BFC to $18.15 in rebuttal testimony, and ultimately stated that it would not contest a BFC of $11.96 in a letter filed with the Commission.

2. The Basic Facilities Charge ("BFC") is a fixed charge on the customer bill that is intended to recover the cost to connect a customer to the distribution grid.

3. In support of the proposed increase in the BFC, the Company classified two categories of costs as customer-related in its cost of service study ("COSS"): (1) the costs of the service drop, meter, billing, and a portion of customer services; and (2) a portion of the hypothetical costs of distribution lines, poles, and transformers, estimated based on the "Minimum System" method.

4. Under the Minimum System method advocated by DEC, the Company attempted to estimate the cost of a hypothetical, minimally sized distribution grid. This "minimum system" is not the distribution system that was actually built by the Company, but rather, represents a hypothetical configuration of the grid that would have been built if each customer had only a minimal amount of usage.

5. In Order No. 91-1022, the Commission required DEC's predecessor Duke Power Company to eliminate the Minimum System method from its COSS, and the Company has not adduced evidence in this case to show that a return to the method is warranted. As this Commission has long recognized, the Minimum System method is based on faulty reasoning, and it should not be accepted in this case. The Commission finds that the Company's use of the Minimum System method in its COSS, and in its design of the BFC, was not reasonable.

6. Under the Basic Customer method advocated by several intervenors, only the cost of the service drop, meter, billing, and customer service are classified as customer-related and thus, deemed appropriate for recovery through the BFC. The Commission finds that the Basic Customer method results in an accurate classification of customer-related costs, and that DEC should henceforth use the Basic Customer method in its cost of service studies and in its rate design.

7. Because the Commission finds that the Company's use of the Minimum System method was not reasonable, the Company's request to increase the BFC based on its use should be denied. In light of general ratemaking

principles such as simplicity, customer acceptance, and the need to send accurate price signals that encourage the efficient use of electricity, as well as important policy considerations such as fairness and impacts to low-income ratepayers, the Commission finds that the BFC should be increased only by the same percentage as the overall increase in revenue authorized for the residential class in this case.

8. The Company does not currently include the BFC as a line item on customer bills. The Commission finds that a bill format that specifically breaks out the BFC as a line item on the customer bill will help customers more easily view and understand their bill and their energy usage. Accordingly, the Company shall be required to implement a new bill format for each rate schedule, specifically breaking out the BFC as a line item on the bill, as soon as such a format is enabled by implementation of the new Customer Information System, but no later than the spring of 2021.

9. [placeholder]

III. EVIDENCE IN SUPPORT OF FINDINGS AND CONCLUSIONS

A. Classification of Customer-Related Costs: The Minimum System Method Versus the Basic Customer Method

1. The Company's Use of Minimum System Method in Its Cost of Service Study

In its cost of service study ("COSS"), the Company classified two different categories of costs as customer-related: (1) the costs of the service drop, meter, billing, and a portion of customer service costs; and (2) costs derived from the Minimum System method, which is based on a hypothetical "minimum" configuration of the Company's distribution system. The Company's classification of the first category of costs as customer-related was non-controversial and consistent with the Basic Customer method, which has been used by the Company to classify customer costs in South Carolina for decades. It is the novel classification of hypothetical Minimum System costs as "customer-related," and the resulting proposal to recover those costs through the BFC, that was contested by a number of intervenors and public witnesses in this case.

DEC witness Janice Hager was the primary witness supporting the Company's shift to use of the Minimum System method in its COSS. Under the Minimum System method, the Company attempted to estimate the cost of a hypothetical, minimally sized distribution grid. This "minimum system" is not the distribution system that was actually built by the Company, but rather, represents a hypothetical configuration of the grid that would have been built if each customer had only a minimal amount of usage (for example, a single light bulb). Hager Direct, Tr. Vol. 8, p. 1903-14, lines 16-19. The approach resulted in a portion of the costs of distribution lines, poles, and transformers being classified as "customer-related" in the COSS. Hager Direct, Tr. Vol. 8, p. 1903-12, lines 18-19.

As technical support for the Minimum System approach, Witness Hager relied primarily on the 1991 National Association of Regulatory Utility Commissioners Electric Utility Cost Allocation Manual (the "NARUC manual"). Tr. Vol. 8, p. 1903-12. That manual is outdated, however, and also incomplete, as pointed out by staff of the Washington Public Utilities Commission at the time, Hearing Ex. 36, consistent with this Commission's perspective in 1991, when the manual was published. The Minimum System approach has also been criticized by Professor Bonbright and other authorities on utility cost of service and rate design. Barnes Direct, p. 30:12-31:14. As noted in a NARUC commissioned Regulatory Assistance Project rate design report issued since the 1991 NARUC manual, the Minimum System method, though having superficial appeal, ultimately "seems absurd, since in the absence of any demand no such system would be built at all."

The Office of Regulatory Staff ("ORS") generally found DEP's COSS to be reasonable, but did not specifically address the Company's use of the Minimum System method. Intervenors the South Carolina State Conference of the NAACP, Upstate Forever, Coastal Conservation League, and Vote Solar presented testimony from expert witnesses who opposed the use of the Minimum System method and advocated that the Commission reaffirm its prior order mandating the use of the Basic Customer Method in the Company's cost of service study.

Vote Solar witness Justin Barnes and SC NAACP et al witness Wallach identified numerous flaws in the Minimum System method. The Company assumes that its hypothetical Minimum System would be built with the smallest-sized equipment that it typically installs, rather than with the smallest sized equipment that would be capable of serving each customer with a minimal load. A distribution system built to actually serve a minimal load would have been built with much smaller-sized equipment, would cost less than hypothesized by the Company's method, and would affect the entire design of the distribution grid. Barnes Direct, Tr. Vol. 7, p. 1408-28, lines 1-21 & 1408-29, lines 1-8. The resulting hypothetical, "minimum" grid posited by the Company would have the carrying capacity to meet much more than a minimal customer demand. Tr. Vol. 7, p. 1408-28, lines 13-16.

In addition, as *pro se* intervener Hasala Dharmawardena testified, the Minimum System method does not accurately reflect the real-world conditions in which distribution-related costs do not fluctuate with the addition or removal of particular, individual utility customers:

> Unlike a private installation, a utility infrastructure is not built to serve a particular (specific and unique) customer. The reality is that the infrastructure was not created for the profit of a single specific user or a set of specific users. The users connect to an already existing infrastructure which would have existed even if the marginal user did not exist. This is the reason for the weakness in the suggested [Minimum System] method.

Dharmawardena Direct, Tr. Vol. 5, pp. 890-2 to 890-3; *see also* pp. 881-882.

Witnesses Barnes and Wallach recommended the use of the Basic Customer method to classify customer-related costs—the same method the Company had used from 1991 to the current case, by order of the Commission. Under the Basic Customer method, only the costs to serve an additional customer—the cost of the service drop, typical meters, billing, and customer service—are classified as customer-related and thus, appropriate for recovery through the BFC. Wallach Direct, p. 1130-16, lines 5-12; Barnes Direct, pp. 1408-39, lines 13-20 & 1408-40, lines 1-6.

In explaining its shift to use of the Minimum System method, the Company cited a concern about cross-subsidization between customers, as well as increasing concern about aligning rates with cost causation. Hager, Tr. Vol. 8, p. 1907-5, lines 11-15. DEC witness Hager testified that DEC's switch to the use of the Minimum System method was motivated in part by the Company's concerns that customers who have installed rooftop solar are not properly paying their fair share of distribution system costs. Those concerns were not substantiated with any data, however, and do not justify a change in methodology in this rate case. Indeed, the Company offered nothing to substantiate its professed concern about intra-class cross-subsidization other than the use of the

Minimum System method, rendering the Company's argument somewhat circular. Witness Hager acknowledged that such subsidization only appears in the Company's COSS when the Minimum System method is used. Hager, Tr. Vol. 8, p. 1935, lines 8-17.

The Commission finds that the Minimum System method is based on faulty reasoning and should not be accepted in this case. As discussed above, the approach classifies a portion of the distribution grid costs as "customer-related" based on the theory that each residential customer "caused" to be built a hypothetical, minimally sized distribution system capable of carrying minimal or zero load. But the theory does not reflect reality. Yet the Company did not build such a minimum system. Hager, Tr. Vol. 8, p. 1917, line 14 - p. 1918, line 21. Instead, as testified by SC NAACP et al witness Wallach, Vote Solar witness Barnes, and witness Hager, the Company built its actual distribution grid to serve customer load. Wallach, Tr. Vol. 6, p. 1132-6, line 11- p. 1132-7, line 11; Hager, Tr. Vol. 8, p. 1918, lines 13-25. Therefore, the Commission finds that it is inaccurate to say that customers "caused" a hypothetical minimum system to be built.

Though not dispositive, we find persuasive recent decisions of public utility commissions that have rejected the use of the Minimum System method and similar approaches. *See, e.g., Colorado Black Hills Rate Case*, Colorado Public Utilities Commission Decision No. C16-1140; Proceeding No. 17AL-0477E (2018), pp. 13-16 (adopting the administrative law judge's rejection of the use of the minimum intercept method, the Commission found that the use of the method "is an anomaly among rate-regulated utilities" and that the resulting "increased customer fixed charge has not been shown to outweigh public interest of allowing customers to control their utility bills and energy efficiency." In addition, the Commission agreed that "public policy considerations regarding low-income customers and energy conservation require consideration of the reasonableness of level of fixed charges.") ; *Florida Power and Light's Petition for Increase in Rates*, Florida Public Service Commission Docket No. 080677-EI & 090130-EI, Order No. PSC-10-0153-FOF-EI (March 17, 2010), pp. 172-75 ("We have consistently rejected the Minimum Distribution System methodology on numerous occasions in the past….we have a long history of limiting the costs that are allocated on a customer basis and recovered through a customer charge. We do not adopt the proposed minimum distribution system…."); *Final Order Rejecting Tariff Sheets; Resolving Contested Issues; Authorizing and Requiring Compliance Filings, Pacific Power & Light*, Washington Utilities and Transportation Commission, Docket No. UE-140762 (consolidated), Order 8 (March 25, 2015), p. 91 (The Commission rejected "the Company and Staff's proposals to increase significantly the basic charge to residential customers. The Commission is not prepared to move away from the long-accepted principal that basic charges should reflect only 'direct customer costs' such as metering reading and billing. Including distribution costs in the basic charge and increasing it 81% as the Company proposes, does not promote, and may be antithetical to, the realization of conservation goals").

In addition, the Commission is not persuaded by the explanations proffered by the Company's witnesses in support of its decision to depart from prior practice and begin using an approach that this Commission had explicitly directed the Company to eliminate from its COSS.

2. The Company's Use of the Minimum System Method To Design the Basic Facilities Charge

In this case, the Company designed the BFC to recover not only the non-controversial customer costs of the service drop, meter, billing, and customer service, but also the distribution system costs that it classified as "customer-related" using the Minimum System method. The result was a dramatic proposed increase in the BFC. As initially proposed by the Company, the BFC for customers taking service under the standard residential tariff would have more than tripled, from $8.29 to $28.00.

Although ORS did not explicitly address the Company's use of the Minimum System method in its COSS, finding instead that the COSS was generally reasonable for use in this case, ORS did object to its impact on the Company's rate design, characterizing DEP's initial request to increase the BFC to $28.00 as "extreme." ORS recommended instead that the BFC be increased by no more than 25% of residential revenue increase approved by the Commission.

In rebuttal, DEC indicated that it would accept a BFC of $18.15, equivalent to 50% of its requested increase to the BFC. Rebuttal Testimony of Michael J. Pirro, Tr. Vol. 7, p. 1534. In surrebuttal, ORS witness Seaman-Huynh testified that his proposal to increase the BFC by no more than 25% of the revenue increase recommended by ORS would yield a BFC of $11.96. Then, on March 20, 2019, citing concerns raised by ORS and by public witnesses regarding the proposal to increase the BFC, DEC filed a letter with the Commission indicating that it would not contest a BFC of $11.96, as estimated by ORS. Though DEC is no longer seeking the $28.00 BFC it says would be justified by the Minimum System method, DEC did not withdraw the testimony of its witnesses Ghartey-Tagoe, Pirro, or Hager in support of the use of Minimum System.

DEC acknowledged that the only specific justification it offered for increasing the BFC was its use of the Minimum System in its COSS. Direct Testimony of Janice Hager, Tr. Vol. 8, p. 1903-15, lines 19-23; Witness Ghartey-Tagoe, Tr. Vol. 4, p. 671, line 25-p. 672, line 12; Tr. Vol. 4, p. 661, lines 10-14 (agreeing under cross that in proposing the BFC, the he was "just simply going where the numbers in the cost-of-service study led [him]." Witness Pirro acknowledged that his rate design was based on application of the number generated by COSS and that he did not provide independent support for the COSS.

As explained above, however, cost-causation principles do not support DEC's proposal to recover minimum distribution system costs on a per customer basis. Moreover, it is a bedrock principle of utility ratemaking that the Company can only recover the costs for actual investments that are used and useful—not for hypothetical costs of a distribution system not designed to carry customer load. Designing rates to recovering actual distribution costs through the volumetric (or per kWh) rate is thus more equitable and appropriate. As SC NAACP et al. witness Wallach testified, this approach has the virtue of fairly matching higher-energy using customer's higher demands on the grid with proportional increases in that customers' bills. Tr. Vol. 6, p. 1130-24, lines 4-6. In contrast, adopting the Company's proposal would result in lower-usage customers unfairly subsidizing a portion of the demand-related component of the distribution grid for higher-usage customers. Tr. Vol. 6, p. 1130-25, lines 3-9.

Moreover, the COSS is the starting place, not the end point, of rate design. Tr. Vol. 8, p. 1928, lines 14-19. DEC witness Ghartey-Tagoe, Duke Energy's South Carolina President, agreed that "ratemaking is not an objective science" and "there are subjective choices made along the way . . . ." Tr. Vol. 4, p. 662, lines 17-21. Witnesses Wallach and Barnes also testified that the Company was wrong to apply the results of the Minimum System method directly to its proposed rate design. Tr. Vol. 6, pp. 1130-14 to 1130-17; Tr. Vol. 7, pp. 1408-10 to 1408-16 & 1408-39. In setting rates and charges, including the BFC, this Commission must consider general principles of ratemaking, as well as policy considerations.

In average-cost ratemaking, which necessarily cannot capture the cost to serve each individual customer, some level of intra-class subsidization is inevitable. Tr. p. 1911, lines 17-25; p. 1916, lines 7-12. DEC witness Hager acknowledged that the Company's concerns about high-usage customers subsidizing low-usage customers is itself based on the results of the Minimum System methodology, and that without that or a comparable methodology, no such concern manifests itself in the Company's cost of service study. Tr. Vol. 8, p. 1935.

The Commission also finds that the Company's Minimum System approach is based on a flawed premise, namely that a portion of the *shared* distribution grid can be apportioned on a per customer basis as having been built to serve an *individual* customer's connection to the grid. No such individualized, minimum distribution grid was built by the Company. The shared distribution grid was built to serve actual load across customer classes, and is sized to meet customers' actual demands for energy. It follows that the Company should continue to recover its costs for the shared distribution grid from the volumetric rate, which includes a demand component.

3. General principles and policy objectives of ratemaking and their application to the BFC

Under longstanding principles of rate design, public utilities should not impose high fixed charges for essential electric service. Tr. Vol. 7, pp. 1408-10 to 1408-11; Tr. Vol. 6, pp. 1130-16 to 1130-17; Tr. Vol. 8, pp. 2032-3 to 2032-4. ORS Witness Seaman-Huynh testified that DEC's proposal failed to achieve core Bonbright principles of fair rate design:

> The Company's proposal in the Application and the "alternative" discussed by Company witness Pirro do address some of the Bonbright Principles, it falls far short in attributes 3, 4, 8, and 9. The Company's alternative rate design proposal does not have customer or intervenor support. The lack of public acceptability and drastic change in relation to the Company's historical rates fail to meet attributes #3 and #9 of the Bonbright Principles. The shifting of most costs to the fixed monthly BFC, and away from energy and demand charges, does not promote conservation (Bonbright Principle #4) and fails to promote new innovation and economic changes in demand and supply patterns (Bonbright Principle #8).

Tr. Vol. 8, p. 2032-4, lines 1-11.

Rates should be designed to promote the efficient use of electricity. As SC NAACP et al. witness Wallach testified, putting more of the customer's bill into unavoidable, fixed charges like the BFC, and reducing the volumetric rate correspondingly, will lead to increased electricity use. Mr. Wallach presented a review of studies on how customers respond to price signals, which showed that the Company's initial proposal to increase the BFC to $28.00 would lead to a 4% rise in electricity usage in one year, undoing years of savings that the Company has achieved with its cost-effective energy-efficiency programs. Tr. Vol. 6, pp. 1130-26 to 1130-30; Tr. Vol. 6, pp. 1126-19 to 1126-23. DEC Witness Ghartey-Tagoe pointed to the Company's Neighborhood Energy Saver as an example of a program to help customers manage their bills, Tr. Vol. 4, p. 645-30, lines 3-11. The Company did not offer any rebuttal to the concern about the erosion in energy efficiency and conservation from an increase to the BFC.

Setting rates that could undermine efforts to conserve electricity or participate in energy-efficiency programs will result in otherwise avoidable expenses for all customers. This concern was cited in the testimony of witnesses Wallach, Barnes, and Howat and was also one of the reasons for opposing increases in fixed charges offered in a 2015 National Association of State Utility Consumer Advocates ("NASUCA") resolution:

> NASUCA urges state public service commissions to reject gas and electric utility rate design proposals that seek to substantially increase the percentage of revenues recovered through the flat monthly customer charges on residential customer utility bills, proposals that disproportionately and inequitably increase the rates of low-usage customers, a group that often includes low-income, elderly, and minority customers throughout the United States.

Hearing Ex. 13, National Association of State Utility Consumer Advocates ("NASUCA") Resolution 2015-1, Opposing Gas and Electric Utility Efforts to Increase Delivery Service Customer Charges.

Customer acceptance is another important consideration in designing rates. The public outcry in response to the initial proposal to more than triple the BFC was a sign that customers did not accept this new proposed rate design. Tr. Vol. The Company's decision to scale back its request to an amount closer to that recommended by ORS also acknowledged the customer response to its initial proposal. DEC witness Ghartey-Tagoe, Tr. Vol. 4, p. 763, line 15-p. 764, line 9. The Commission notes, however, that the Company's revised proposal was submitted after the public hearings and, as a result, the Commission does not have the benefit of hearing public input on the proposed 44% percent increase.

Another relevant rate design consideration is simplicity. The Minimum System method introduces unnecessary complexity to the cost of service study and is a hard concept to explain to the public. The alternative proposed by SC NAACP et al and Vote Solar, the basic customer method, has the virtue of simplicity and ease of explanation. In addition, it is the interests of administrative simplicity to continue rejecting the use of the Minimum System method in the Company's cost of service study. As noted by witnesses Barnes and Wallach, there are several subjective elements of the Minimum System analysis (for instance, the use the truly minimum-sized equipment versus the smallest sized equipment actually used).

Fairness to ratepayers is an important policy consideration that this Commission takes into account in determining whether to approve a utility's proposed rates and charges. SC NAACP et al. witness Howat and ORS witness Ruoff presented testimony about the regressive effects of higher customer charges on low-income customers, who on average use less electricity than higher income customers. Tr. Vol. 6, pp. 1126-11 to 1126-18; Tr. Vol. 8, pp. 2039-40. DEC did not present sufficient evidence to rebut the evidence presented by witnesses Howat and Ruoff about the hardship that an increase in the BFC would pose to low- and fixed-income customers. DEC's one attempt to rebut this evidence was offered in by Company witness Pirro, who provided a chart on page 7 of his rebuttal testimony that showed usage information for DEC customers who earn less than $30,000 per year. While intended to support witness Pirro's contention, in fact, the chart shows that the majority of customers that the Company identified as earning less than $30,000 per year use less the Company stated average of 1,100 kWh per month. In this regard, Witness Pirro's chart is consistent with the evidence presented by ORS, intervenors SC NAACP et al, and many public witnesses that higher fixed charges hurt lower-income customers. Second, Mr. Pirro acknowledged (a) that the Company could not independently validate the income information, which came from a proprietary consumer database; (b) the Company does not have income data for all of its customers, so the chart is incomplete; and (c) the income-level chosen by the Company would include some households that are not low-income, including one- or two-person households or college students. In addition, Mr. Pirro's statement that the Company's income-qualified programs are a better means to address the needs of low-income customers was undercut by his acknowledgement that even the Company's request to increase the BFC to $11.96—the figure calculated by ORS witness Seaman-Huynh—would all but eliminate the average annual savings achieved by the Company's Neighborhood Energy Saver.

Consistent with the weight and credibility of the evidence, the Commission finds that DEC's low-income customers, on average, use less electricity than higher-income customers and thus, would be disproportionately harmed by increases to the BFC.
Due to the impact of the BFC on low-income customers, who tend to use less electricity on average, witnesses Barnes and Wallach recommended that the BFC for the residential rate classes be increased by the same percentage as the revenue increase ultimately authorized by the Commission in this proceeding for those classes. Wallach, Tr. Vol. 6, pp. 1130-31, 1132-10.

An increase to $11.96, the amount the Company indicated that it would "not contest," would represent nearly a 45% increase over the current BFC, a much higher increase than the overall increase in revenue allowed by this Commission. In addition, under ORS's proposed revenue increase and rate design, the $3.67 increase in the monthly BFC (from $8.29 to $11.96) would constitute about 80% of the overall increase in the "typical" (1000 kWh) household bill (from the current typical bill of $117.74 to the ORS Proposed $122.20, after accounting for the effects of the EDIT rider). Hearing Exhibit 60, surrebuttal ex. MSH-5. Such an increase in the BFC is out of proportion to the overall increase in revenue allowed for the residential class and is not supported by the record. The Commission agrees with witnesses for the SC NAACP, Upstate Forever, Coastal Conservation League, and Vote Solar to not allow an increase in the BFC greater than the percentage increase for the residential class.

The EDIT Rider, which is designed to return to money to ratepayers that was over-collected in prior years for payment of deferred federal income taxes (as a result of the reduction in the federal corporate income tax rate), should apply proportionally to the volumetric rate and the BFC, not to the volumetric rate alone as proposed by DEC. Tr. Vol. 7, pp. 1408-64 to 1408-67. Such a rate design would more fairly apportion the EDIT rider to customers, providing more equitable return of the over-collected revenue between higher-usage and lower-usage customers.

C. Bill Format

The Company does not currently include the BFC as a line item on customer bills. Instead, the BFC and the volumetric charge are combined and presented as a single amount on residential customers' bills. Tr. Vol. 5, p. 1000, lines 19-24 (DEC witness Hunsicker); Hearing Ex. 21 (sample residential customer bill). DEC witness Donald Schneider testified that the Advanced Metering Infrastructure for which the Company seeks cost recovery in this case gives customers more detailed usage information, so that they can make more informed choices about their energy use. Tr. Vol. 5, p. 997, lines 3-16. DEC witness Retha Hunsicker testified that the Company is designing a new bill format that will be enabled by DEC's Customer Information System ("CIS"), to be implemented in the spring of 2021, which will include the BFC as a line item. Tr. Vol. 5, p. 1002, lines 6-11; p. 1003, line 4-12. The Commission finds that a bill format that specifically breaks out the BFC as a line item on the customer bill will help customers more easily view and understand their bill and their energy usage. Accordingly, the Company shall implement a new bill format for each rate schedule, specifically breaking out the BFC as a line item on the bill, as soon as such a format is enabled by implementation of the CIS, but no later than the spring of 2021.

D. Collection and Reporting of Data Related to Energy Security and Bill Payment Difficulties

SC NAACP et al. witness Howat testified about the need for additional data that would be necessary to obtain a clearer understanding of service disconnection rates for nonpayment and other indicators of home energy security for DEC's residential customers. The best available data from the 2009 Residential Energy Consumption Survey showed elevated disconnection rates for households living at or below 150% of the federal poverty level and disturbing disparities on the basis of race. Pursuant to this Commission's Order in Docket No. 2006-193-EG, DEC and other public utilities are required to submit quarterly reports on service disconnections for nonpayment. The Company's 2018 reports indicated over 27,000 disconnections for nonpayment and 10,000 disconnections for nonpayment of deferred payment agreements. But without more detailed information, Mr. Howat testified that it was difficult to draw meaningful conclusions from those raw numbers in quarterly filings. In rebuttal, DEC offered testimony from Lesley Quick, who raised Company concerns with collecting the data recommended by Mr. Howat. Quick Rebuttal, p. 8, line 16 - p. 11, line 11. But nothing in the testimony of Witness Quick indicates that additional data could not be collected or made available by the Company that would provide this Commission and the public with valuable information about bill-payment difficulties faced by DEC's most vulnerable customers. Such data could inform Company energy-efficiency programs or future Commission policy.

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IT IS THEREFORE ORDERED THAT:

1. The Minimum System method shall be eliminated from DEC's cost of service study and rate design. The Company shall henceforth use the Basic Customer method in its cost of service studies and in its rate design.

2. The Company's request to increase the Basic Facilities Charge for residential customers is denied. The BFC shall be increased only by ___ percent, the same percentage as the overall increase in revenue authorized for the residential class in this case.

3. The Company should apply the Rider EDIT-1 to a percentage of bill-based mechanism in order to align it with the underlying causes of the excess deferred income taxes, not on a volumetric basis alone.

4. The Commission orders the Company to work with ORS and interested intervenors to develop a protocol for collecting and making available additional indicators of residential customer payment difficulties and other indicators of energy insecurity, taking into account the limits of the Company's current Customer Information System.

5. DEC shall file compliance tariffs consistent with this Order within ___ days of receipt of the Order.

6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Comer H. Randall, Chairman

ATTEST:

Justin T. Williams, Vice Chairman

STATE OF SOUTH CAROLINA

BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 2018-319-E

I, Stinson W. Ferguson, certify that the following persons have been served with the Proposed Order of the South Carolina State Conference of the NAACP, South Carolina Coastal Conservation League and Upstate Forever by electronic mail and/or U.S. First Class Mail at the addresses set forth below:

Becky Dover
Carri Grube-Lybarker
SC Department of Consumer Affairs
bdover@scconsumer.gov
clybarker@scconsumer.gov

Bess J. DuRant
Sowell & DuRant, LLC
1325 Park Street, Suite 100
Columbia, SC 29201
bdurant@sowelldurant.com

Carrie M. Harris
Stephanie U. Eaton
Spilman Thomas & Battle, PLLC
110 Oakwood Drive, Suite 500
Winston-Salem, NC
charris@spilmanlaw.com
sroberts@spilmanlaw.com

Derick P. Williamson
Spilman Thomas & Battle, PLLC
1100 Bent Creek Blvd., Suite 101
Mechanicsburg, PA 17050
dwilliamson@spilmanlaw.com

Heather Shirley Smith
Duke Energy Progress, LLC
40 W. Broad Street, Suite 690
Greenville, SC 29601
Heather.smith@duke-energy.com

Frank R. Ellerbe, III
Robinson, McFadden & Moore, P.C.
PO Box 944
Columbia, SC 29202
fellerbe@robinsongray.com

John Burnett
Camal O. Robinson
Duke Energy Business Services, LLC
550 South Tryon Street
Charlotte, NC 28202
John.burnett@duke-energy.com
camal.robinson@duke-energy.com

Molly McIntosh Jagannathan
Troutman Sanders LLP
301 South College Street, Suite 3400
Charlotte, NC 28202
Molly.jagannathan@troutman.com

Richard L. Whitt
Austin & Rogers, P.A.
508 Hampton Street, Suite 300
Columbia, SC 29201
rlwhitt@austinrogerspa.com

Scott Elliott
Elliott & Elliott, P.A.
1508 Lady Street
Columbia, SC 29201
selliott@elliottlaw.us

Robert Guild
314 Pall Mall
Columbia, SC 29201
bguild@mindspring.com

Thadeus B. Culley
Vote Solar
1911 Ephesus Church Road
Chapel Hill, NC 27517
thad@votesolar.org

Jeffery M Nelson
C. Lessie Hammonds
Jenny R. Pittman
Steven W. Hamm
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201
jnelson@ors.sc.gov
lhammonds@ors.sc.gov
jpittman@ors.sc.gov
sham@ors.sc.gov

Alexander G. Shissias
The Shissias Law Firm, LLC
1727 Hampton Street
Columbia, SC 29201
alex@shissiaslawfirm.com

Hasala Dharmawardena
145 Cochran Road, Unit 4
Clemson, SC 29631
hasala@ieee.org

Len Anthony
Law Office of Len Anthony
812 Schloss Street
Wrightsville Beach, NC 28480
len.anthony1@gmail.com

Branson F. Marzo
Troutman Sanders LLP
600 Peachtree St NE, Suite 3000
Atlanta, GA 30308
brandon.marzo@troutman.com

Bridget M. Lee
Sierra Club
50 F Street NW, Floor 8
Washington, DC 20001
Bridget.lee@sierraclub.org

This 18th day of April, 2019.

s/ Stinson W. Ferguson

Stinson W. Ferguson (SC Bar No.79871)
SOUTHERN ENVIRONMENTAL LAW CENTER
463 King Street, Suite B
Charleston, SC 29403
Telephone: (843) 720-5270
Fax: (843) 720-5240

Attorney for South Carolina State Conference of the NAACP, South Carolina Coastal Conservation League, and Upstate Forever